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SUBJECT: U.S. BUSINESS PLAYING MAJOR ROLE IN DYNAMIC CLARK REGION

REFS: (A) Manila 06 2637 (B) Manila 06 3414

¶1. (U) Summary. During an August 16 visit to Clark Freeport Zone, the Charge d'Affaires focused public and corporate attention on the positive role of U.S. business in the Philippines. Joining Philippine President Arroyo, the Charge attended the groundbreaking ceremony for Texas Instruments new billion dollar semiconductor manufacturing plant which will eventually provide over 3000 new jobs. Clark is a rapidly developing region with potential for much greater growth as highways linking Manila and Subic port are completed in 2008 and plans for airport expansion are realized; the Ambassador and DCM visit regularly (reftels). Highlights of the visit to Clark included briefings by executives of the Clark Development Corporation and the Clark International Airport Corporation, as well as tours at America Online's support center and the Clark Museum on the former site of Clark Air Force Base. A radio and television simulcast plus a local media roundtable produced widespread media coverage of the Texas Instruments investment and the additional opportunities U.S. business is bringing to the historic Clark-Subic regions, and throughout the Philippines.

CLARK

¶2. (U) The Clark Freeport Zone sits on the site of former Clark Air Force Base near Angeles City just north of Manila on the island of Luzon, the largest island in the Philippines. The U.S. Air Force turned over control of the facility and land to the Philippines following the eruption of Mt. Pinatubo in 1991. Several U.S. and other foreign businesses have located facilities in the area which is served by the Diosdado Macapagal International Airport. Nearly 500,000 passengers transited the fast-growing airport in 2006. A new express highway connects Clark to Manila and additional extensions are planned which will make Clark the center of a "high tech" corridor between Subic Bay port facilities in the west, Manila to the south, and the city of Tarlac to the north.

2ND TEXAS INSTRUMENTS FACILITY PROVIDES HIGH TECH JOBS

¶3. (U) Texas Instruments constructed in 1978 its first Philippines production facility in Baguio, several hours north of Manila, due to its favorable climate for electronics manufacturing and supply of high skilled labor. It employs over 2200 people. In April 2007, Texas Instruments announced a \$1 billion dollar expansion project at the Clark Freeport Zone. The 8-hectare facility will assemble and test semiconductors and produce more sophisticated products, ultimately employing around 3000 Filipinos. Texas Instruments says its Clark operations will be its most environmentally efficient investment site in the world. A major source of pride for the Arroyo administration is that the Philippines won the project over neighboring countries including China, Thailand, and Vietnam.

¶4. (U) The Charge participated in a groundbreaking ceremony alongside President Arroyo and other local and regional officials.

During her remarks, President Arroyo said she supports the continued creation of a "high tech" corridor. She referred to the selection process as a "courtship" and members of her government as part of the courtship team. She indicated that the national government would continue to play a major role in promoting foreign investment.

CLARK DEVELOPMENT CORPORATION PLANNING EXPANSION

15. (U) Established in 1993, the Clark Development Corporation (CDC) manages the daily operations of the Clark Freeport Zone. By 2007, Clark had 401 registered business enterprises with over 50,000 employees. The majority of businesses are service providers or manufacturers. President Arroyo placed the Clark Freeport Zone under the jurisdiction of the Philippine Economic Zone Authority in 2005 to prevent business pullout after the Supreme Court nullified tax incentives due to an anomaly in the law covering Clark Freeport.

In April 2007, President Arroyo signed orders correcting the anomaly, and guaranteeing the tax incentives under the administration of the CDC.

16. (SBU) During informal briefings, CDC Chairman Rizalino Navarro described plans to finish connecting the Subic Bay Freeport Zone (on the site of the former U.S. naval facility), Manila and the city of Tarlac via superhighways, with Clark at the center. The CDC also favors the signing of Executive Order 500B that would liberalize the airline industry allowing more carriers to operate out of Clark's rapidly growing airport. CDC officials said they would like Clark's airport to become the premier international airport serving the Philippines and a major Southeast Asian hub, eventually to include direct routes for U.S. airlines. A Chinese consortium is conducting a pro bono feasibility study for airport expansion. CDC officials pointedly asked the Charge what the U.S. reaction would be if

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Chinese investment developed a former U.S. Air Force base. Charge said that U.S. companies must be offered fair and transparent opportunities in all airport expansion projects; CDC officials readily agreed.

CLARK INTERNATIONAL AIRPORT CORPORATION (CIAC) SEEKS TO UNSEAT NAIA AS PHILIPPINES' MAIN INTERNATIONAL AIRPORT

17. (U) Beginning in 2002, Clark's airport has steadily expanded its passenger capacity, handling almost 500,000 in 2006 due in large part to low cost carriers. Recently, both Cebu Pacific and Philippine Airlines announced plans to establish a hub at Clark. To handle expansion, Clark Airport Corporation has developed a master plan including the creation of a second runway to increase aircraft capacity, a new terminal to accommodate 12 million passengers per year, and a maintenance facility. Projected costs are over a billion dollars. The Chinese consortium conducting the feasibility study expects to finish by September 2007.

18. (SBU) Clark Airport President Victor Luciano stated that he expected the bidding process for expansion contracts to be fair and open and that U.S. firms would have an equal opportunity to win contracts. He said that he expects Clark's airport to supplant Manila's as the international airport of choice in the Philippines due to its location at the center of a high tech corridor and the inability of Manila's airport to expand to meet expected demand. Clark Airport officials are also in favor of President Arroyo's signing of Executive Order 500B, liberalizing the air industry.

AOL, A MODEL U.S. EMPLOYER

19. (SBU) The Charge met with AOL's Director of Call Center Operations, Doreen Thibodeaux at AOL's Clark site located in the former communications bunker of Clark Airbase. AOL is a global web services company and advertising network in the United States. Clark-based AOL Member Services, established in 1998, has 1000 employees and provides live chat and email support to 23.5 million AOL members. Under the direction of Ms. Thibodeaux, AOL has become

a model employer. Already known for its excellent employee training programs, AOL also provides on site gym facilities and medical staff initiating programs to improve overall employee health and 24 hour meal service. AOL employees conduct community outreach programs, in one case, eliminating a scabies outbreak at a local orphanage. As a result of building a corporate community, AOL has a high retention rate, high employee satisfaction, and high customer service satisfaction ratings. Although the decision has not been formally announced, Director Thibodeaux confided that AOL will outsource its Philippine operations to E-Telecare, but that it expects its existing workforce to remain intact.

THE KEEPER OF THE FLAME

¶10. (U) Honoring shared U.S.-Philippine history, Clark Development Corporation established the superb Clark Museum in the former base's finance building in 1997. Clearly a point of pride to the local community, the museum houses historical photographs and memorabilia from the air base as well as local historical material. Its engaging curator -- well-known in Clark as the "Keeper of the Flame" -- served as community relations advisor to every U.S. commander at Clark since 1949.

LOCAL MEDIA FRIENDLY AND SUPPORTIVE

¶11. (U) The Charge used a live radio interview on a popular show to convey the positive role of U.S. business in the Clark region, through companies like Texas Instruments, AOL, UPS, and Sutherland. The Charge also highlighted U.S. government programs, such as the USAID funded family health clinic in Angeles and the numerous Peace Corps workers in the area.

¶12. (U) A local media organization also hosted a roundtable question and answer session with the Charge. Members included representatives from print, radio, and television. Questions focused on three areas. Will more U.S. businesses invest in the area? Will the U.S. remain the Philippines' number one trading partner? What will U.S. government do for Amerasians (referring to mixed race children of American service members and local Filipinos living in the area)? The Charge reaffirmed American-Filipino trade links and said that he expected U.S. firms to be interested and competitive in bidding on investment opportunities in the region and country in general. He again cited various U.S. government and non-governmental projects in the country as well as citing AOL and Texas Instruments as examples of American business involvement.

¶13. (U) Texas Instruments groundbreaking and the Charge's appearances were widely covered in local and national media. We

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successfully conveyed continuing U.S. interest in the Clark and Subic region, which reassures very pro-U.S. communities. We also conveyed the positive role U.S. business plays in providing economic opportunities and social responsibility projects throughout the Philippines.

KENNEY